**WASHINGTON** – Congressman Spencer Bachus (AL-6), Ranking Member on the House Financial Services Committee, today delivered the following statement at a committee hearing where Federal Reserve Chairman Ben Bernanke provided testimony on monetary policy and the state of the U.S. economy.

**Thank you, Chairman Frank for holding today's hearing on monetary policy and the state of our economy. And thank you, Chairman Bernanke, for being here today and for your service to our country.**

**Since Chairman Bernanke last testified before us on monetary policy in July, much has changed. What began as a downturn in the U.S. subprime mortgage market has mushroomed into a significant credit crunch that has resonated throughout the global economy. Some of the underlying fundamentals of the U.S. economy have deteriorated. While unemployment remains low on an historical basis, it has inched up in recent months. We have seen some weakness in retail sales and now issues have begun to surface in other areas of the consumer credit markets including credit cards and auto lending.**

**While economic growth has clearly slowed – and the threats to our economy should not in any be minimized – nothing that has transpired over the past 6 months detracts from the competitive strength of U.S. businesses and the innovativeness and productivity of American workers, which are unrivalled in the world. Moreover, proactive steps taken by the Federal Reserve and financial regulators – combined with responses from the private sector and the natural operation of the business cycle - should help to ensure that the current economic slowdown is limited in its duration and severity. The Fed's aggressive cuts in the Federal funds rate and the recently enacted economic stimulus package – which includes what amounts to a tax cut for millions of hard-working Americans – should start to have an effect on our economy by this summer, laying the groundwork for a stronger second half of 2008 and a return to sustainable economic growth in 2009. At that point, the Fed's primary challenge will shift from avoiding a significant economic downturn to containing the inflationary pressures in our economy reflected in the CPI and PPI numbers released by the government over the past two weeks.**

**One lesson we have learned from the subprime contagion is just how highly interconnected our financial markets are. We have also learned an important lesson about the value of transparency. While these are challenging times, it's important that we face up to the problems and solve them quickly. As painful as that process is in the short-term, it's far preferable to the kind of delay and denial that marked the Japanese response to financial turmoil in the 1990s. And it's the reason why I continue to have great confidence in the resiliency of the American economy.**

**Chairman Bernanke, there is perhaps no other public figure in America who has been subjected to as much "Monday morning quarterbacking" as you have over the past six months. And yet on balance, I believe that any objective evaluation of your record would conclude that you have dealt with an exceedingly difficult set of economic circumstances with a steady hand and sound judgment.**

**With that Mr. Chairman, I yield back the balance of my time.**